

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-05 SSO-00 NSCE-00

USIE-00 INRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 STRE-00 /099 W

----- 038660

O 161614Z JUL 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 3042

INFO ALL EC CAPITALS IMMEDIATE 0125

USMISSION EC BRUSSELS IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

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DEPARTMENT PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: ETRD, EC, EAGR, FR

SUBJECT: EC COMMISSION PROPOSED TAX ON VEGETABLE FATS
AND OILS

REF: PARIS 20441, STATE 170962

1. SUMMARY: AIDE MEMOIRE HIGHLIGHTING USG CONCERNS
OVER EC PROPOSED TAX ON VEGETABLE OILS DELIVERED
AGMINISTER BONNET AND MFA ON JULY 16, AND ALSO SENT TO
ELYSEE, AND PM'S OFFICE. BONNET DESCRIBED PLIGHT OF
FRENCH DAIRY FARMERS, INDICATED VEGETABLE OIL TAX IS
NEEDED TO OFFSET ADVERSE POLITICAL EFFECTS OF PROPOSED
MILK TAX, AND CONTENTED OIL TAX WOULD BE OF LITTLE
SIGNIFICANCE FOR U.S. AGRICULTURAL EXPORTS TO EC.
FROMENT-MEURICE, IN MFA, ECHOED THIS THEME, NOTING THAT
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PROPOSED TAX IS ONLY SMALL PART OF OVERALL PLAN TO

RESOLVE MILK SURPLUS PROBLEM, ADDING THAT NO GOF POSITION YET TAKEN AND HE EXPECTED BONNET TO ASK AT AG-MINISTERS' MEETING NEXT WEEK THAT CONSIDERATION OF PACKAGE PROPOSAL BE DEFERRED. END SUMMARY.

2. IN CALL ON AGMINISTER BONNET ON JULY 16, DCM, ACCOMPANIED BY AGATT, DESCRIBED USG CONCERN WITH EC COMMISSION PROPOSAL FOR TAX ON VEGETABLE FATS AND OILS AND LEFT AIDE MEMOIRE HIGHLIGHTING REASONS FOR THIS CONCERN.

3. BONNET EMPHASIZED SERIOUS ECONOMIC PROBLEMS CONFRONTING DAIRY FARMERS, WHO HAVE BEEN EXTREMELY VOCAL IN THEIR DEMANDS FOR ASSISTANCE. DUE TO THE DROUGHT, A MILK PRODUCTION DECLINE OF 13-14 PERCENT IN RECENT WEEKS WILL FURTHER ERODE THEIR INCOME POSITION. THUS THE DAIRY SECTOR IS PLAGUED BY SURPLUS AND SHORTAGE PROBLEMS AT THE SAME TIME. GIVEN THIS SITUATION, BONNET FEIT THAT TO DECREASE MILK PRICES VIA THE PROPOSED MILK TAX, AND HENCE FURTHER REDUCE THEIR INCOMES, WOULD BE POLITICALLY IMPOSSIBLE WITHOUT THE VEGETABLE OIL TAX TO DECREASE MARGARINE CONSUMPTION. BONNET CONTENTED THAT THE VEGETABLE OIL TAX WOULD NOT HAVE ANY APPRECIABLE EFFECT ON U.S. AGRICULTURAL EXPORTS TO THE EC, AND IN FACT, THEY SHOULD INCREASE SHARPLY BECAUSE OF THE DROUGHT.

4. WE REPLIED THAT ANY RESTRAINT ON OUR EXPORTS OF SOYBEANS AND SOYBEAN PRODUCTS TO EC WOULD BE POLITICALLY UNACCEPTABLE TO THE U.S. RESTRICTING ACCESS FOR ONE PRODUCT OF THE SOYBEAN-OIL COMPLEX WOULD RESULT IN PRICE DISTORTIONS AND EVENTUAL PRESSURES WITHIN THE EC TO RESTRICT SOYBEAN AND OTHER MEALS OR EVEN SOYBEANS DIRECTLY. THUS THE EC MUST SOLVE ITS DAIRY PROBLEM WITHOUT BURDENING ITS TRADING PARTNERS.

5. BONNET CAREFULLY STUDIED THE AIDE MEMOIRE AND AGREED TO GIVE OUR VIEWS DUE CONSIDERATION BEFORE DEVELOPING A POSITION FOR THE JULY 19-20 AGMIN MEETINGS IN BRUSSELS. HE INDICATED HIS BELIEF THAT NO DECISIONS LIMITED OFFICIAL USE

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WOULD BE REACHED AT THOSE MEETINGS ON THIS ISSUE, WHICH WOULD BE DISCUSSED IN "PHILOSOPHICAL" TERMS.

6. LATER IN AFTERNOON MINECON DELIVERED COPY OF SAME AIDE MEMOIRE TO HENRI FROMENT-MEURICE, DIRECTOR, ECONOMIC AND FINANCIAL AFFAIRS, IN MINISTRY OF FOREIGN AFFAIRS. FROMENT-MEURICE OBSERVED THAT, WHILE HE COULD NOT REPEAT NOT AS YET INDICATE WHAT THE GOF

POSITION WOULD BE ON THE COMMISSION'S PACKAGE PROPOSAL TO RESOLVE THE SERIOUS MILK SURPLUS PROBLEM, HE DID WISH TO NOTE THAT AN OVERALL PLAN IS BEING PROPOSED, OF WHICH THE VEGETABLE OIL TAX WOULD BE ONLY ONE SMALL PART. THUS, WHILE NO JUDGMENT HAS BEEN MADE AS YET BY THE FRENCH AS TO THE MERITS OF THE PLAN, HE HOPED THAT THE USG WOULD APPRECIATE THAT THE VEGETABLE OIL TAX PROPOSAL MUST BE CONSIDERED BY THE EC MEMBERS IN THE CONTEXT OF THE ENTIRE PLAN AND THUS THEY MUST ALSO CONSIDER THE IMPACT WHICH ITS DELETION WOULD HAVE ON

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THE REST OF THE PLAN. IT WAS ALSO INDICATED THAT THE MFA EXPECTED THAT MINISTER BONNET WOULD ASK FOR A DELAY IN THE CONSIDERATION OF THE PLAN AT THE AGMINIS-TERS' MEETING NEXT WEEK ON THE GROUNDS THAT PRESENT

SERIOUS DROUGHT SITUATION MADE CONSIDERATION OF SURPLUS SOLUTION INOPPORTUNE. FROMENT-MEURICE ADDED THAT HE FULLY APPRECIATED U.S. SENSITIVITIES WITH RESPECT TO ACCESS TO THE EUROPEAN MARKET FOR ITS SOYBEAN PRODUCTION, BUT ASKED THAT THE EMBASSY CONVEY TO WASHINGTON HIS VIEW THAT THIS VEGETABLE OIL TAX PROPOSAL WAS CONCEIVED BY THE EUROPEAN COMMISSION AS PART OF AN OVERALL SOLUTION TO THE COMMUNITY'S VERY DIFFICULT MILK SURPLUS PROBLEM. HE CONSIDERED IT INCONCEIVABLE THAT THE COMMISSION WOULD HAVE MADE THIS PROPOSAL WITH THE INTENTION OF BARRING U.S. ACCESS TO THE EUROPEAN MARKET.

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7. COPIES OF AIDE MEMOIRE ALSO SENT TO JEAN PIERRE DUTET IN ELYSEE (COMMERCIAL ADVISER TO PRESIDENT) AND TO JEAN RENE BERNARD, SECRETARY GENERAL OF INTERMINISTERIAL COMMITTEE FOR QUESTIONS OF EUROPEAN ECONOMIC COOPERATION, IN PRIME MINISTER'S OFFICE.

8. COMMENT: WHILE GOF HAS BEEN MADE FULLY AWARE OF DEPTH OF USG CONCERN, WE DO NOT RPT NOT EXPECT AGMINISTER BONNET TO BE AN ADVOCATE OF THE REJECTION OF THIS EC COMMISSION PROPOSAL AT EC AGMINISTERS' MEETINGS NEXT WEEK. HE IS CLEARLY EXPERIENCING STRONG PRESSURES FROM DOMESTIC DAIRY INDUSTRY.

9. COPY OF AIDE MEMOIRE BEING AIR POUCHED TO WASHINGTON.
RUSH

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: VEGETABLE OILS, TAXES, AIDE MEMOIRE
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Copy: SINGLE
Draft Date: 16 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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